

## Message Text

LIMITED OFFICIAL USE

PAGE 01 MANILA 02517 280442Z

20

ACTION TRSE-00

INFO OCT-01 EA-06 ISO-00 SP-02 AID-05 EB-07 NSC-05 CIEP-01

SS-15 STR-01 OMB-01 CEA-01 CIAE-00 COME-00 FRB-03

INR-07 NSAE-00 XMB-02 OPIC-03 LAB-04 SIL-01 PA-01

PRS-01 USIA-06 L-02 H-01 IO-10 NEA-09 /095 W

----- 089326

P 280912Z FEB 75

FM AMEMBASSY MANILA

TO SECSTATE WASHDC PRIORITY 932

INFO AMEMBASSY RANGOON PRIORITY

LIMITED OFFICIAL USE MANILA 2517

USADB

FOR NAC AGENCIES

E.O. 11652: ADS, DECLAS 5/28/75

TAGS: EAID, EFIN, BM

SUBJECT: PROPOSED ADB TECHNICAL ASSISTANCE TO BURMA FOR  
FOREST INDUSTRIES PROJECT

SUMMARY: ADB MANAGEMENT PROPOSES \$98,000 EQUIVALENT  
TECHNICAL ASSISTANCE GRANT TO GOVERNMENT OF BURMA TO  
FINANCE FOREX COST OF CONSULTANTS TO CARRY OUT IN-DEPTH  
FEASIBILITY STUDY OF FOREST INDUSTRY IN SELECTED AREA  
IN UPPER BURMA AND TO FORMULATE SPECIFIC PROJECT FOR  
POSSIBLE BANK FINANCING: USADB RECOMMENDS FAVORABLE  
NAC ACTION.

1. ADB DOC. R13-75 DESCRIBING PROPOSED GRANT POUCHED  
ADDRESSEES FEBRUARY 25. BOARD CONSIDERATION SCHEDULED  
MARCH 13.

2. ADB MANAGEMENT PROPOSING \$98,000 TECHNICAL  
LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 MANILA 02517 280442Z

ASSISTANCE (TA) TO GOVERNMENT OF BURMA (GUB).

PROCEEDS WILL FINANCE FOREX COST OF IN-DEPTH FEASIBILITY STUDY OF FOREST INDUSTRY IN A SELECTED AREA OF UPPER BURMA, WHICH WOULD CONCENTRATE ON IMPROVEMENT OF LOGGING AND TRANSPORT OPERATIONS AND REHABILITATION OF SAWMILLING FACILITIES, AND TO FORMULATE SPECIFIC PROJECT FOR POSSIBLE BANK FINANCING.

3. FORESTS COVER 57 PERCENT OF BURMA'S LAND AREA. THEY CONTAIN ABOUT 75 PERCENT OF WORLD'S TEAK SUPPLY AS WELL AS SEVERAL ASSOCIATED HARDWARE SPECIES WHICH HAVE COME INTO COMMERCIAL PRODUCTION RECENTLY DUE TO INCREASED WORLD DEMAND. FORESTRY INDUSTRY, WHICH IS SECOND TO RICE AS MAJOR SOURCE OF FOREX EARNINGS FOR BURMA, HAS SUFFERED SERIOUS SETBACKS SINCE WORLD WAR II. PRESENT TEAK PRODUCTION IS LESS THAN 300,000 TONS PER YEAR COMPARED WITH 400,000 TONS PER YEAR PRE-WAR. INADEQUATE LOGGING AND TRANSPORT EQUIPMENT AND OUTDATED PROCESSING FACILITIES ARE MAIN CONSTRAINTS TO INCREASED PRODUCTION.

4. IN JUNE 1974, WORLD BANK GROUP EXTENDED \$24.0 MILLION IDA CREDIT FOR FORESTRY PROJECT IN SOUTH-CENTRAL BURMA TO INCREASE TIMBER OUTPUT THROUGH ROAD CONSTRUCTION, PROVISION OF LOGGING AND TRANSPORT EQUIPMENT AND REHABILITATION OF SAWMILLS. PROJECT ALSO INCLUDES FEASIBILITY STUDIES OF FORESTRY AND FOREST-BASED INDUSTRIES ON COUNTRY-WIDE BASIS. PROPOSED ADB TA WOULD NOT PREJUDICE FINDINGS OF IDA-FINANCED FEASIBILITY STUDIES WHICH WILL TAKE THREE YEARS TO COMPLETE AND WILL BE UNDERTAKEN WHILE BOTH IDA AND POSSIBLE BANK PROJECT, WHICH IS EXPECTED TO FOLLOW FROM PROPOSED BANK TA, ARE BEING IMPLEMENTED. (IDA APPRAISAL REPORT NOTES PROPOSED BANK TA AND ANTICIPATES POSSIBLE SUBSEQUENT BANK LOAN OF \$3 TO \$5 MILLION.) BANK RECOGNIZES NEED FOR CLOSE COORDINATION BETWEEN GOVERNMENT AND TWO LENDING INSTITUTIONS DURING IMPLEMENTATION PERIODS OF BOTH PROJECTS. OTHER EXTERNAL AID FOR BOTH SHORT-AND LONG-TERM IMPROVEMENTS TO BURMA'S FORESTRY SECTOR HAS BEEN LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 MANILA 02517 280442Z

PROVIDED BY USAID, PEOPLE'S REPUBLIC OF CHINA, CANADA, UNDP AND THROUGH COLOMBO PLAN.

5. FOR IMPLEMENTATION OF PROPOSED TA, BANK ENVISAGES TA MISSION OF 3 OR 4 SPECIALISTS CONSISTING OF EXPERTS IN TROPICAL FORESTRY, MECHANIZED LOGGING AND TRANSPORTATION, SAWMILLING AND FOREST ECONOMICS FOR PERIOD OF 12 MAN-MONTHS. ABOUT ONE MONTH AFTER

COMMENCEMENT OF FIELD WORK, INTERIM DISCUSSIONS WOULD BE HELD BETWEEN GUB, CONSULTANTS AND BANK TO: (A) ASSESS INITIAL FINDINGS; (B) DEMARCATÉ PROJECT AREA FOR DETAILED EXAMINATION; (C) ASCERTAIN REACTION OF GUB'S COUNCIL OF MINISTERS; AND (D) GIVE DIRECTIONS FOR FURTHER WORK OF TA MISSION. GUB HAS AGREED TO PROVIDE REQUIRED LOCAL SERVICES AND FACILITIES AND CAPABLE COUNTERPART TEAM (AT COST OF ABOUT \$7,000 EQUIVALENT).

6. EXECUTING AGENCY WILL BE TIMBER CORPORATION (TC), WHICH CONTROLS ALL COMMERCIAL TIMBER OPERATIONS IN BURMA AND IS SOLELY RESPONSIBLE FOR EXTRACTION, MILLING, PROCESSING AND MARKETING OF FOREST PRODUCTS. TC WAS FORMED IN 1948 WHEN TEAK INDUSTRY WAS NATIONALIZED; IN 1962 TC'S RESPONSIBILITY WAS EXTENDED TO INCLUDE OTHER HARDWOODS. IDA-FINANCED PROJECT ENVISAGES OVERALL ORGANIZATIONAL STUDY OF TC TO OVERCOME ITS PROBLEMS: E.G., LACK OF EXPERIENCE IN PLANNING AND BUSINESS ADMINISTRATION AND INSUFFICIENT DELEGATION OF AUTHORITY TO MANAGEMENT TO MAKE IMPORTANT DECISIONS.

7. GUB HAS ACCORDED HIGH PRIORITY TO REHABILITATION OF FOREST INDUSTRIES BECAUSE FOREST PRODUCTS ARE MAJOR SOURCE OF FOREX EARNINGS. WHILE FOREIGN DEMAND FOR BURMA TEAKWOOD HAS BEEN HIGH, COUNTRY HAS BEEN UNABLE TO MEET POTENTIAL. PRESENT UNDER-UTILIZATION OF FOREST RESOURCES OFFERS ONE OF MAIN OPPORTUNITIES FOR FAST AND SUSTAINED IMPROVEMENT OF EXPORT EARNINGS. USADB SUPPORTS PROPOSAL AND RECOMMENDS FAVORABLE NAC ACTION.

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 04 MANILA 02517 280442Z

8. REQUEST RANGOON'S COMMENTS FOR NAC AGENCIES, INFO USADB MANILA, PURSUANT TO STATE 119795 DTD 3 JULY 1972.  
SULLIVAN

LIMITED OFFICIAL USE

NNN

## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** FORESTRY, TECHNICAL ASSISTANCE, INDUSTRIAL PLANTS, BANK LOANS  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 28 FEB 1975  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** CunninFX  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1975MANILA02517  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** N/A  
**Film Number:** D750070-0467  
**From:** MANILA  
**Handling Restrictions:** n/a  
**Image Path:**  
**ISecure:** 1  
**Legacy Key:** link1975/newtext/t1975023/aaaaacii.tel  
**Line Count:** 158  
**Locator:** TEXT ON-LINE, ON MICROFILM  
**Office:** ACTION TRSE  
**Original Classification:** LIMITED OFFICIAL USE  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 3  
**Previous Channel Indicators:** n/a  
**Previous Classification:** LIMITED OFFICIAL USE  
**Previous Handling Restrictions:** n/a  
**Reference:** n/a  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** CunninFX  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 07 JUL 2003  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <07 JUL 2003 by KelleyW0>; APPROVED <13 NOV 2003 by CunninFX>  
**Review Markings:**

Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
05 JUL 2006

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** PROPOSED ADB TECHNICAL ASSISTANCE TO BURMA FOR FOREST INDUSTRIES PROJECT  
**TAGS:** EAID, EFIN, BM, ADB-1  
**To:** STATE  
**Type:** TE  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 05 JUL 2006